MARKETER OF THE MONTH

THAT OLD BLACK MAGIC

A distinctive bottle and a unique distribution network propelled Freixenet to the top in imported sparkling wines

BY RINKER BUCK

America's $1.7 billion champagne and sparkling wine business is a growing but predatory market, troubled by the same cycles of overproduction, price-cutting and advertising clutter that are shaking out coolers and table wines. The last person anyone would expect to succeed is the polite, soft-spoken scion of Spanish aristocrats whose brand few Americans can pronounce, and whose only experience in the U.S. was a single year spent as a student at the University of California.

These apparent obstacles, however, hardly daunted Pedro Ferrer, 29, when he was named chairman and president of the American arm of his family's international wine business, Freixenet U.S.A., early last year. He grew up on his family's estate near Barcelona, just a few steps away from the *cavas* winery that his father, Jose Ferrer, was building into the world's largest producer of sparkling wines. Barely past his teens, Pedro Ferrer had filled a number of production and sales positions for the family during a period when such giants as Moet-Hennessy were fiercely counter-attacking Freixenet on several national fronts.

By the time Ferrer arrived at Freixenet's U.S. headquarters in Sonoma, Calif. in 1986, the battle for America had been won. In the early 1970s, when it first introduced its Cordon Negro sparkler in distinctive black bottles, Freixenet was a virtual unknown to Americans. But by 1981, propelled by strong advertising and a distribution system that left most of the marketing decisions to local distributors, Freixenet was shipping 100,000 cases. Freixenet will easily pass the one million mark this year, recording a compound growth rate of 170 percent since 1982. Gross retail sales this year will exceed $70 million, and Cordon Negro is now the leading import in the *methode champenoise* category. Even with domestic brands such as Gallo's Andre and Korbel thrown in, Freixenet commands 16 percent of the overall market for sparklers.

"Freixenet is a remarkable success story, largely because they've built this out of a vacuum," says Paul Gillette, publisher of *The Wine Investor* of Los Angeles. "They entered with a product on a par with expensive French champagnes and have marketed it at a low price."

But Ferrer believes Freixenet has only scratched the surface of potential demand. He has spent the past year expanding Freixenet's distribution lines and narrowing the focus of his $4 million national advertising budget to attract a broader base of upscale buyers. He confidently predicts that sales will reach 2 million cases by 1990.

Over 40 percent of Freixenet's sales—and 60 percent of its ad spending—occurs between Thanksgiving and New Year's. But Freixenet is more than just a holiday marketing story, and its applications extend far beyond the sparkling wine market. In a crowded field rocked by consolidation and fickle consumer tastes, Freixenet has doggedly stuck to its plan and successfully transplanted its family style of management onto U.S. soil.

Above all, Freixenet is a triumph of packaging and positioning. In 1972, when the Spanish winery first dipped into the American market, distributors were wary about Cordon Negro's coal-black bottle. It had been a popular fixture on Spanish tables for years, but many American distributors doubted it would take in America.

"They told us that in America black meant death—it was only used at funerals," Ferrer recalls. "But we decided to work toward our strength and stick with a bottle that no one could avoid in the stores."

As it turned out, by the late 1970s, younger, image-conscious Americans had begun to shift away from mixed drinks and distilled liquors. A phenomenal runup in consumption pushed many sparkling wines—especially the moderately priced Spanish imports—to record sales growth.

"Americans' renewed emphasis on getting ahead and refined taste suddenly made black fashionable," says Thomas E. McKean, a former Foote, Cone & Belding Communications account executive who joined Freixenet as vice president and director of marketing in February. "Black denoted distinction, understatement—just what our market thought about itself. The black bottle couldn't have hit the market at a better time."

Pricing helped position Cordon Negro firmly between the premium French brands and the low-end domestic sparklers. The standard 750 ml bottle retails between $5 and $7, and its 187 ml. three-pack, pitched toward women, sells for $6. (Premium imports such as Moet and Domaine Chandon are priced anywhere from $13 to 20, while Andre and Canandaigua retail around $4.)

"In Spain, families drink sparkling wine every Sunday over dinner, almost the way the French rely on table wine," says Ferrer. "We wanted Americans to think of Freixenet as an import they could use often to celebrate 'life's little pleasures' and not just at weddings and graduations."

"We're not really competing with champagne—there's no other quality brand in the middle of the market," says McKean. "Working people now have an import they can afford for special occasions. The upscale young have come to rely on us for their normal social gatherings."

Freixenet's Cordon Negro is now selling one million cases a year.

Freixenet's decentralized shipping network has given regional distributors considerable flexibility in promotions and local advertising. In 1979, Freixenet decided to license a half-dozen distributors in major markets to carry Freixenet, allowing them to import directly from the winery in Spain. This eliminated the middleman's markup, and bucked a national trend toward distributor consolidation which had given retailers little incentive to promote specific brands.

"Too many distributors think of the wine market in traditional terms—they want to move in volume but not spend money supporting someone else's brand," says Mike Shaw, president of Paramount Brands in Port Chester, N.Y., Freixenet's New York region distributor. "But the Ferrers treat their importers like relatives. *We* decide how to promote locally, and Freixenet matches our spending."

Shaw uses his co-op dollars to hire airplanes to tow Freixenet banners along New York beaches, and advertises in *The Hamptons*, a weekly tabloid for Long Island's fashionable gold coast. To appeal to black consumers, Shaw has devised point-of-purchase literature for urban liquor stores and will use billboards in inner-city neighborhoods.

"Nobody on a national basis could come up with a campaign like this—they aren't here to see what our problems are," says Shaw. "The Ferrers know that you don't just place a bunch of national magazine ads and call it regional marketing." ❑

'We've created an atmosphere where our distributors know we'll always be there, no matter what happens in their market. Sadly, that is a quality that too many American corporations have lost.'

Pedro Ferrer, Chairman Freixenet, U.S.A.

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